

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 NEA-10 ISO-00 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 IO-14 NSAE-00 RSC-01

OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01

STR-08 AGR-20 SS-20 NSC-10 L-03 DRC-01 /194 W

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R 012131Z NOV 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5267

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY TOKYO

AMEMBASSY OTTAWA

AMEMBASSY CANBERRA

AMEMBASSY VIENNA

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

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AMEMBASSY MADRID

AMEMBASSY STOCKHOLM

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E.O. 11652: N/A

TAGS: EAGR, OECD, EFIN

SUBJECT: OECD NOVEMBER 8-9 XCSS MEETING - AGRICULTURE
STUDY, INTERNATIONAL INVESTMENT AND MNC'S.

REF: (A) STATE 208338, (B) STATE 208686, (C) LONDON
12489 (NOTAL)

1. ECONCOMMIN SAW SIR MAX BROWN (SECRETARY, TRADE),
DEPARTMENT OF TRADE AND INDUSTRY OCTOBER 31 TO TRANSMIT
COPIES OF U.S. PAPER ON AGRICULTURE STUDY AND OUT-
LINE U.S. VIEWS ON INTERNATIONAL INVESTMENT AND MNC'S.
MARTIN LAM (UNDER SECRETARY) AND ROBIN ALLOTT (ASSISTANT
SECRETARY) ALSO PRESENT. BROWN WAS SKEPTICAL ABOUT
FEASIBILITY OF AGRICULTURE STUDY BUT NOTED IMPORTANCE
BRITISH ATTACH TO OECD STUDY ON INVESTMENT.

2. AGRICULTURE STUDY: WE OUTLINED BACKGROUND OF U.S.
PROPOSAL FOR AGRICULTURE STUDY DRAWING ON REF A AND
GAVE BROWN A COPY U.S. PAPER. BROWN WAS CAREFUL TO
MAKE CLEAR THAT THE VIEWS HE EXPRESSED WERE PERSONAL
AND MADE BEFORE HE HAD OPPORTUNITY TO STUDY PAPER OR
TO DISCUSS THIS MATTER WITH THE MINISTRY OF AGRICULTURE,
FISHERIES AND FOOD. BROWN SAID HE FORESAW CERTAIN
PROBLEMS. HE WONDERED IF AN "OBJECTIVE" ASSESSMENT
WOULD BE OF VALUE. HE AGREED THAT IF IT WERE POSSIBLE
TO BE OBJECTIVE, IT MIGHT BE POSSIBLE TO AVOID WHAT HE
TERMED "SOME DOCTRINAL PROBLEMS." HOWEVER, HE SAID,
PROJECTIONS OF SUPPLY AND DEMAND IN ANY FIELD ARE
EXTREMELY DIFFICULT AND UNCERTAIN AND GIVEN PAST
EXPERIENCE OF SIMILAR STUDIES HE WONDERED IF THE
RESULTS WOULD BE TAKEN SERIOUSLY. HE NOTED THAT
THE INTERNAL SITUATION IN THE EC WOULD MAKE OBJECTIVE
DISCUSSION OF THIS SUBJECT EXTREMELY DIFFICULT. FOR
INSTANCE, HE SAID THAT IF THE FRENCH REALLY BELIEVE
A SHORTAGE OF AGRICULTURAL PRODUCTS WOULD CONTINUE
FOR SOME TIME, THEY WOULD PROBABLY SUPPORT SUCH A
STUDY. IF, ON THE OTHER HAND, THE FRENCH BELIEVE
THAT CONDITIONS OF SURPLUS WOULD RETURN IN THE
NEAR FUTURE, THEY WOULD OPPOSE SUCH A STUDY.

3. LAM ASKED RHETORICALLY IF THE OECD COULD PRODUCE
ANYTHING NEW ON THIS SUBJECT. HE WONDERED IF THE
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ASSUMPTIONS THAT WOULD BE REQUIRED FOR SUCH A STUDY
MIGHT NOT INVOLVE THE OECD DIRECTLY AND RAPIDLY IN
THE SUBSTANCE OF THE TRADE NEGOTIATIONS. FOR INSTANCE,
SUCH A STUDY WOULD DEAL WITH THE PROSPECTIVE SUPPLY
AND DEMAND SITUATION IF THE CAP SHOULD "BREAK DOWN."
HE ASKED IF SUCH A STUDY MIGHT NOT OVERLAP AND
AND DUPLICATE WORK TO BE UNDERTAKEN BY THE GATT
AGRICULTURAL COMMITTEE. IN CONCLUSION, BROWN SAID

THAT HE WOULD STUDY THE PAPER AND BE IN TOUCH WITH US.

4. INTERNATIONAL INVESTMENT AND MNC'S: FOLLOWING AN OUTLINE OF U.S. VIEWS ON INTERNATIONAL INVESTMENT AND MNC'S, WE LEFT PAPER, SUMMING PARA 5 REF B, WITH BROWN IN ORDER THAT THERE SHOULD BE NO DOUBT ABOUT OUR TENTATIVE THINKING ON POSSIBLE GUIDELINES. BROWN BEGAN BY COMMENTING THAT THE XCSS, THROUGH NO FAULT OF ITS OWN, WAS NOT ACCOMPLISHING THE PURPOSES FOR WHICH IT HAD BEEN ESTABLISHED. THE XCSS WAS ESTABLISHED IN THE WAKE OF THE REY REPORT TO BRIDGE THE GAP BETWEEN PROBLEMS THAT MIGHT ARISE IN THE GATT AND IMF. THESE PROBLEMS HAVE NOT ARISEN. THE XCSS IS THUS A VERY HIGH LEVEL GROUP WITHOUT A PROGRAM OF WORK OF COMPARABLE IMPORTANCE. HE CLEARLY FELT THAT THE SECRETARIAT WAS TRYING TO KEEP THE XCSS GOING WITH PROJECTS THAT ARE IN PART OF A MAKE WORK NATURE.

5. BROWN SAID THE U.K. ATTACHES GREAT IMPORTANCE TO

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TO SOLID SECRETARIAT WORK ON INVESTMENT. WITH REGARD TO GUIDELINES TO GOVERN INVESTMENT, HE SAID THAT IT WOULD BE EXTREMELY DIFFICULT TO ESTABLISH THE EXTENT TO WHICH NATIONAL ACTION INDUCED DISTORTIONS. REGIONAL BENEFITS OFFERED BY MOST COUNTRIES, INCLUDING THE U.K., WERE PROBABLY THE COMMONEST FORM OF "DISTORTION" AND HE WONDERED HOW COMPARISONS MIGHT BE MADE BETWEEN THE DIFFERENT REGIONAL POLICIES IN DIFFERENT COUNTRIES. HOW, FOR INSTANCE, COULD THE EFFECTS OF REGIONAL INVESTMENT INCENTIVES IN SCOTLAND AND SOUTHERN ITALY BE COMPARED.

6. HE THEN RETURNED TO HIS BASIC POINT ABOUT THE PURPOSES OF THE XCSS AND ADDED THAT HE THOUGHT THE MEETING ON NOVEMBER 8-9 MIGHT PROVE TO BE PREMATURE. APART POSSIBLY FROM INVESTMENT, HE SAW NO OTHER SUBJECTS THAT WERE RIPE FOR CONSIDERATION.

7. IN CONCLUSION, LAM NOTED THAT THE XCSS MEETING WAS ON THE AGENDA FOR THE EC 113 COMMITTEE MEETING IN BRUSSELS ON NOVEMBER 7 AND SAID THAT HE SUPPOSED THE MATTER HAD BEEN PUT ON THE AGENDA IN ORDER TO DISCUSS THE U.S PROPOSALS FOR AGRICULTURE STUDY.

ANNENBERG.

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